

1 MR. SHOOK: So this is meant to be an undated
2 document?

3 MR. WERNER: Undated document.

4 Well, clarifying that note, Your Honor. As to
5 Exhibit 12, which I believe I identified as a December 12,
6 1993, date, I was referring to a typographical error in
7 another document. The date actually on that document
8 appears as December 21, 1993.

9 JUDGE CHACHKIN: All right, that correction will
10 be made.

11 CROSS-EXAMINATION

12 BY MR. WERNER:

13 Q Good morning, Mr. Watson.

14 A Good morning.

15 Q Well, as, by my count, you have now been on the
16 stand for about three and a half days, and I'm happy to say
17 that after the thorough examination Mr. Shook and Mr. Guzman
18 have given you, I have only a few questions and I hope not
19 to take very much of your time.

20 To move quickly into it, I direct your attention
21 Mass Media Bureau Exhibits 119, 120, 121, and 122, Volume 4.

22 A You did say 119 first; is that correct?

23 Q That's correct.

24 A Okay.

25 Q Now, if my recollection of your testimony in

1 response to Mr. Shook's questions is correct, you had
2 testified that -- you had testified that these four
3 documents were Equal Employment Opportunity filings that
4 Pathfinder made?

5 A Yes.

6 Q Is it correct that these documents were prepared
7 for Pathfinder Communications Corporation?

8 A Yes.

9 Q Were they prepared in any response on behalf of
10 Hicks Broadcasting of Indiana?

11 A No, that was not intended at all.

12 Q So the employment information that appears in
13 these forms is not intended to reflect employment
14 information concerning Hicks Broadcasting of Indiana?

15 A No, it certainly wasn't intended at all.

16 Q Okay. Direct your attention specifically to Mass
17 Media Bureau Exhibit 120. There was some discussion in your
18 original testimony in response to Mr. Shook's questions
19 concerning the presentation of employee information that
20 appears at page 4 of that exhibit.

21 Do you recall that?

22 A Yes.

23 Q Pages 4 and 5 actually. Excuse me.

24 A Yes. Yes, I do.

25 Q I just want to make sure I understand correctly.

1 As I understand it looking at page 5, there are a number of
2 individuals who appear to be represented as full-time
3 employees of Pathfinder who are also identified as working
4 for WRBR.

5 A Yes.

6 Q Now, was your testimony -- strike that. Let me
7 begin again.

8 Does this -- my recollection was that your
9 testimony was that this form does not accurately represent
10 employees of Hicks Broadcasting of Indiana; is that correct?

11 A Would you please repeat the question?

12 Q Certainly. Let me try and rephrase it a little
13 bit better.

14 Looking at page 5 of Exhibit 120, there are a
15 number of individuals who are identified as WRBR employees
16 who are included in this report.

17 Based upon your review and your previous
18 testimony, were those individuals properly included in this
19 report?

20 A I think they were -- I think I see a couple of
21 individuals here that should have been put into Pathfinder's
22 numbers that appear that they were not. And as I previously
23 testified you will see "not in total" there, a little note
24 there beside two people, McBride and A. Williams. Remember
25 where I said those weren't in the total. And I was pointing

1 out that they're not in the total. And I think that part is
2 correct. But I think they should have been in the total
3 because thinking back, not thinking back, but the way this
4 should have been prepared is they were -- they were
5 Pathfinder employees regardless of whether they sold for
6 WRBR or not. They were part of the joint venture. They
7 were Pathfinder employees and therefore should have been
8 included in the total.

9 But what I testified is that they were excluded,
10 and they were excluded, but probably incorrectly, okay.

11 Q Okay, just so I'm clear, looking at specifically
12 the sales personnel figures, and sales male and sales
13 female, there are five individuals: S. McBride, A.
14 williams, M. Cubby, S. Dille and J. Warland.

15 A Yes.

16 Q And if I understand correctly that -- do I
17 understand correctly that at the time that this application,
18 this form was prepared, all of these sales employees were
19 still actually Pathfinder employees under the terms of the
20 joint sales agreement?

21 A I'm sure they were.

22 Q So although the parenthetical notations after
23 their names would indicate that they were selling for WRBR,
24 they were not WRBR or Hicks Broadcasting employees at the
25 time?

1 A No, they were employees of the joint venture at
2 the time.

3 Q And because they were employees of the joint
4 venture, they were Pathfinder employees?

5 A Correct.

6 Q All right, thank you.

7 If I could now direct your attention -- you can
8 put that volume away. If I could direct your attention to
9 Exhibit No. 6 in Hicks Broadcasting's binder.

10 A Okay.

11 Q You recall in your response to Mr. Shook's
12 question that Mr. Shook took you through Mass Media Bureau
13 Exhibit 126, which was a series of attorney's bills, and
14 asked you to identify your markings on them, or in some
15 instances Mr. Hicks' mark of approval.

16 I'd ask you -- by my recollection, looking at that
17 exhibit, there were no bills for the first four months of
18 1994, and I'd ask you to look at Hicks Exhibit No. 6 and see
19 if you recognize it, first of all.

20 A Yes.

21 Q First, go to page 2, if you would.

22 A Okay.

23 Q Can you tell me what page 2 of Hicks Exhibit No. 6
24 is?

25 A Well, this was a page that -- this was a piece of

1 paper that he's typed or were prepared by David Hicks. He
2 prepared the workpaper and then he's got his initials down
3 there at the bottom, and basically this enumerated what
4 bills, what bills Irwin, Campbell & Crowe -- Hicks
5 Broadcasting owed Irwin, Campbell & Crowe, which shows those
6 four bills, so he wanted a check prepared to them for that
7 amount, and then he indicates other amounts that he had
8 spent personally and on behalf of Hicks Broadcasting, and
9 then -- I'm sorry. Hicks Broadcasting then reimbursed him
10 for most of that -- I mean, all but \$500 of that 1,601.

11 No, I'm sorry. It was all but the letter of
12 credit he was reimbursed for.

13 Q And if I could direct your attention, first of
14 all, to the top portion above the "To David Hicks" line.
15 There is a section that appears to be identified as WRBR(FM)
16 Radio payable to Irwin, Campbell & Crowe?

17 A Right. Well, I think that's the designation.
18 He's saying there was payable -- one is payable to Irwin,
19 Campbell & Crowe, and the second later is payable to David
20 Hicks for some portion.

21 Q Okay, the bold face section "To David Hicks"
22 below. So essentially what you're saying there is two
23 categories of WRBR(FM) Radio?

24 A Yes.

25 Q Okay. Under the section identified as Irwin,

1 Campbell & Crowe, each of those items is one identified as
2 110, services 12-3; the second one, 2-2 for services 1-94;
3 another line, 37, services 2-94; and 46, services 3-94.

4 What's your understanding as to what those items
5 represent, those entries?

6 A They represent charges by Alan Campbell and
7 associates for services provided Hicks Broadcasting.

8 Q Okay. Your testimony has been that David Hicks
9 sent this to you. When you received it, was it your
10 understanding that Mr. Hicks had approved these bills for
11 payment?

12 A Yes. Yes, and it's likely that he called me and
13 told me it was coming too. I mean, he very possible that he
14 had done that.

15 MR. WERNER: Your Honor, there are a few more
16 questions that I would like to ask Mr. Watson about this
17 document. But in looking at the copies that appear in the
18 binders, it appears that some of the notations on the form
19 did not copy. What I'd like to do with Your Honor's leave
20 is show the original of the document to Mr. Watson, and
21 then --

22 JUDGE CHACHKIN: Let's see the document.

23 MR. WERNER: Some of the writings were in red and
24 they didn't photocopy very well. We'll supplement the
25 exhibit with better copies, Your Honor.

1 (Pause.)

2 MR. SHOOK: Your Honor, just when questions are
3 being asked may I stand next to the witness --

4 JUDGE CHACHKIN: Sure.

5 MR. SHOOK: -- to review the document while the
6 questions are asked.

7 JUDGE CHACHKIN: Sure. Go ahead. Go ahead.

8 MR. WERNER: If I may do so as well, Your Honor.
9 I apologize.

10 JUDGE CHACHKIN: Well, just make sure you speak
11 into the mike so that it's on the record.

12 BY MR. WERNER:

13 Q Mr. Watson, if this will help your testimony at
14 all.

15 Can you identify the markings that appear --
16 directing your attention now to the second of the bills
17 below the line identified as "To David L Hicks."

18 Can you identify the handwriting that appears
19 there?

20 A Yes. All the red on this document is, with the
21 exception of this check number and check date, is my
22 writing.

23 Q The check number and check date would be the entry
24 that appears 29703 with 5-18-94?

25 A Correct.

1 Q And the other handwriting that you're referring to
2 would be the notations following the dollar entries
3 following each of Mr. Hicks' line items there?

4 A Correct.

5 Q Can you read, for purposes of the record now until
6 we get an adequate copy, can you read --

7 A Yes.

8 Q -- the entry that appear -- can you read the
9 numbers that appear after the dollar figure \$565.00 for FCC
10 filing fee? Can you identify that?

11 A Okay. There is the -- you can't read those either
12 on the copies, can you?

13 Okay, there is a number to the left of the \$565.00
14 that is the account number 354.95, which is a WRBR expense
15 account that was charged for that.

16 Q Okay. And the entry below the -- to the left of
17 the next figure, the \$500.00 figure?

18 A Okay, there is a number to the left of the \$500.00
19 that says account 3.7653, which is, again, a Hicks
20 Broadcasting account that was charged to.

21 Q And once again next to the \$26.00?

22 A There is an account number there, charged to
23 354.95, which is a WRBR account.

24 Q Okay. Now, there is a bracket, I guess, bringing
25 together the \$565.00, \$500.00 and \$26.00 entry, and there is

1 a circled figure in there.

2 What does that represent?

3 A That represents \$1,091. That's the total of the
4 565, 500 and 26, and it's the total to be repaid to David
5 Hicks for his personal expenditures relating to Hicks
6 Broadcasting. In other words, this is, in essence, an
7 expense report that he's turning in to Hicks Broadcasting
8 for that amount of money.

9 Q Okay, thank you.

10 If you can turn actually to the first page.

11 A Okay.

12 Q Can you identify this form?

13 A This is the check request that was prepared so
14 that Dave could get reimbursed by Hicks Broadcasting for the
15 expenses that we've just discussed, the \$1,091, and all this
16 does is summarize the way it's supposed to be accounted for
17 and charged for, and this, in effect, gets the check to him.

18 Q And does it indicate that a check was paid to him?

19 A Yes. It was paid on check 53717 on August 10,
20 1994.

21 Q Okay. If I can turn your attention now to the
22 second page again for a moment.

23 A Okay.

24 Q There is a notation, a handwritten notation next
25 to the -- to the right of the \$510.00 figure.

1 What does that indicate about whether Mr. Hicks
2 was reimbursed for that amount?

3 A It says "No reimbursement, capital contribution."

4 Q So does that indicate whether Mr. Hicks was
5 reimbursed or was not reimbursed for that?

6 A It indicates that he was not reimbursed for that.

7 MR. WERNER: I don't think I have any further
8 questions on this.

9 Your Honor, I would now like to offer Hicks
10 Exhibit No. 6 into evidence.

11 JUDGE CHACHKIN: Any objection?

12 MR. SHOOK: No objection, Your Honor.

13 JUDGE CHACHKIN: Hicks No. 6 is received.

14 (The document referred to,
15 having been previously marked
16 for identification as Hicks
17 Exhibit No. 6, was received
18 into evidence.)

19 BY MR. WERNER:

20 Q Mr. Watson, do you recall a response to Mr.
21 Shook's questions that he had asked you to examine a number
22 of documents which I believe you identified as national
23 sales rep invoice forms for a company called Crystal?

24 A Yes, I --

25 Q Does that refresh your recollection of those.

1 A Yes, I generally recall it.

2 Q Those appear at Mass Media Bureau Exhibit No. 101.

3 How was it that WRBR and WBYT came to retain

4 Crystal for their services?

5 A I don't recall exactly, but I know who would have
6 been involved in the decision. I mean, just because they
7 always are. I mean, that would have been Steve Kline and
8 John Dille for sure, and I believe Dave Hicks would have
9 been involved too.

10 MR. SHOOK: Objection; speculation.

11 THE WITNESS: Well, only because he was the owner.

12 JUDGE CHACHKIN: Well, that's speculation. I'll
13 strike the reference to Hicks being involved since it's
14 speculation on this witness's part.

15 BY MR. WERNER:

16 Q Mr. Watson, if I can draw your attention to Hicks
17 Exhibit No. 1.

18 A Okay.

19 Q First, I'd ask you do you recognize the document?

20 A I recognize the memo, yes.

21 Q And is that your signature that appears?

22 A Yes.

23 Q What is -- when you prepared this memorandum to
24 Steve Kline, what were you intending to do? What was the
25 purpose of the memo?

1 A For some reason the Hicks -- excuse me. For some
2 reason the radio -- Crystal Radio documents, hiring them or
3 contracting to be the rep firm came to me. I'm not sure
4 why. Sometimes those contracts come to me, but, again, I
5 had nothing to do with the decision to hire Crystal. But
6 for some reason they came to me. And, of course, they
7 relate to the national sales. They are the sales rep firm
8 for the sales, which is ran by the joint venture.

9 They came in the individual radio station's names,
10 WLTA and RBR, apparently two different agreements. It
11 appears that I signed on behalf of LTA one of them, and I
12 forwarded the other one to Steve to sign on behalf of WRBR.
13 And that's all this was, just a little transmittal.

14 Q Why did you forward the materials on to Steve
15 Kline to sign on behalf of WRBR?

16 A I guess I was conscious of the fact that I
17 shouldn't sign on behalf of Hicks Broadcasting, or WRBR.

18 Q Do you have an understanding as to whether you
19 were authorized to sign on behalf of Hicks Broadcasting?

20 A I knew I was not authorized to sign on behalf of
21 Hicks Broadcasting.

22 Q And it was your understanding --

23 A Excuse me. And in fact I was very careful from
24 the beginning on that.

25 Q Thank you.

1 I actually neglected a housekeeping detail. I
2 failed to ask you if you could identify the document.

3 Can you identify the document?

4 A It's a memo to Steve Kline dated May 2, 1994, from
5 me transmitting the documents for signature that we've
6 discussed.

7 MR. WERNER: Now, at this time, Your Honor, I
8 would like to offer Hicks Exhibit No. 1.

9 JUDGE CHACHKIN: Any objections?

10 MR. SHOOK: No objection.

11 JUDGE CHACHKIN: Hicks Broadcasting Exhibit 1 is
12 received.

13 (The document referred to,
14 having been previously marked
15 for identification as Hicks
16 Exhibit No. 1, was received
17 into evidence.)

18 BY MR. WERNER:

19 Q Mr. Watson, could I please ask you to turn to
20 Exhibit No. 9 in the Hicks binder?

21 A Okay.

22 Q Can you identify this document?

23 A Yes, this is a -- let's see. It appears to be a
24 memo that I wrote or dictated to Dave Hicks dated January
25 30, 1997, enumerating a discussion that we had had relating

1 to distributions that should have been -- that needed to be
2 made to the members of Hicks Broadcasting for purposes
3 indicated.

4 Q What is the purpose indicated?

5 A Well, you recall somewhere I testified that when
6 Hicks Broadcasting has income, the related members have to
7 pay taxes on that income, and they have to pay it quarterly,
8 and hopefully -- well, in this case Hicks was providing
9 those members a distribution proportional to their ownership
10 in Hicks Broadcasting to cover their share of -- their share
11 of taxes on their share of income.

12 Q Just so I'm clear here, when you say Hicks was
13 providing that, you mean Hicks Broadcasting was providing
14 the distribution?

15 A Hicks Broadcasting, LLC.

16 Q And when you prepared this memo, in what capacity
17 were you acting?

18 A I was acting in accordance with the accounting
19 service agreement. It was a service being provided for
20 Hicks Broadcasting. I was an independent contractor.

21 Q Thank you.

22 MR. WERNER: Your Honor, at this time we'd like to
23 offer Hicks Exhibit No. 9.

24 JUDGE CHACHKIN: Any objection?

25 MR. SHOOK: No objection.

1 JUDGE CHACHKIN: The exhibit is received.

2 (The document referred to,
3 having been previously marked
4 for identification as Hicks
5 Exhibit No. 9, was received
6 into evidence.)

7 BY MR. WERNER:

8 Q Mr. Watson, if you would please turn to Exhibit
9 No. 11.

10 A Okay.

11 Q I'd ask you to look at page one, and again I'd ask
12 you if you can identify that document?

13 A Yes, I recognize it.

14 Q And what is it?

15 A This is a memo to people in the business office
16 relating to how the joint sales and joint -- excuse me --
17 the joint venture sales and the joint venture expenses
18 should be split starting September 1, 1996.

19 Q Okay.

20 A And basically in accordance with the paragraph in
21 the joint sales agreement that provides for how they are to
22 be split.

23 Q Was it your customary practice to make these
24 allocations?

25 A The allocations or the computation of --

1 Q The computation, yeah, the computations that led
2 to the allocation.

3 A Oh, clearly. Yeah, I, in administration of the
4 joint sales agreement, I determined, based upon that
5 paragraph in the agreement, how joint sales and joint
6 venture expenses should be split. I did that computation in
7 accordance -- base upon the Arbitron books that it calls for
8 in that paragraph.

9 Q I'm noting in the list of individuals to whom the
10 memo was addressed that Steve Kline and Brad Williams' names
11 are included.

12 A Steve Kline is there as well as Dave Hicks. I
13 guess I should have said account staff, but it -- yeah, this
14 is to Dave Hicks, all the people that's shown there: Dave
15 Hicks, Steve Kline. Brad Williams is the general sales
16 manager of the joint venture.

17 Q And what was the purpose of sending this memo to
18 Mr. Hicks, Mr. Kline and Mr. Williams?

19 A Well, I wanted Dave to know that I had done the
20 computation in accordance with the joint sales agreement,
21 and that the percentage of allocation was changing based
22 upon that computation, and I wanted Steve and Dave and Brad
23 to be aware of that as they perform their duties along the
24 lines of the joint sales agreement.

25 Q Okay. Did Mr. Kline have any role in preparing

1 these calculations for the allocations?

2 A No, not at all.

3 Q Did he rely on you to provide this information to
4 him?

5 A Yes.

6 Q Would he have -- is there any reason he would have
7 for knowing how these calculations or computations were
8 made?

9 A No, not really. He knew that under the joint
10 sales agreement that there was a formula that provided for
11 the allocation. It was my responsibility to do that
12 computation and tell him what it -- what that allocation is
13 supposed to be.

14 Now, he did know prior to that date that the
15 allocations were 50/50 and he did know that after that date
16 they were 60/40.

17 Q But as to how those computations were made, he'd
18 have no reason to know that?

19 A No.

20 Q Other than the fact the --

21 Q Other than the general -- I mean, he generally
22 knew that they had to do with a rating-based formula, but he
23 would not have any reason to do the computation or know the
24 actual details of the formula.

25 Q Okay, thank you.

1 Turn to page 2 of the exhibit. Can you identify
2 this document?

3 A Yeah. Basically this is -- this is basically the
4 individual transmittal of the computation of the allocation
5 to David Hicks.

6 In other words, the reason -- I could have very
7 well copied him on the first memo; therefore he would have
8 seen that everyone else got this memo. That was the basis
9 of this. I wanted him to see that not only did he know
10 about the allocation change but everybody else would know
11 about it also.

12 This memo merely -- actually, this did not
13 transmit the computations.

14 Q Excuse me, Mr. Watson. Just to clarify for the
15 record when you're referring to one memo versus the other
16 one --

17 A All right.

18 Q -- page versus the other, if you could identify
19 that.

20 A Page 1 did not transmit the computation itself to
21 any of those people. Page 2 is the transmittal to Dave of
22 the actual computation which is attached on page 3.

23 Q Thank you very much.

24 MR. WERNER: At this time, Your Honor, we'd like
25 to offer Exhibit No. 11.

1 JUDGE CHACHKIN: Any objection?

2 MR. SHOOK: No objection.

3 JUDGE CHACHKIN: The exhibit is received.

4 (The document referred to,
5 having been previously marked
6 for identification as Hicks
7 Exhibit No. 11, was received
8 into evidence.)

9 BY MR. WERNER:

10 Q Mr. Watson, in response to Mr. Shook's question,
11 you testified at some length, I believe, about the manner in
12 which budgets were prepared for WBYT and WRBR.

13 Do you recall that?

14 A (No audible response.)

15 Q If I could draw your attention, please, to tab No.
16 13 in the Hicks binder.

17 A Yes.

18 Q Ask you if you can identify that document?

19 A It appears to be the budget, 1994 budget for WRBR,
20 and it appears that it would be the final budget.

21 Q Looking through it, take a moment to look through
22 it, can you identify whether it's complete?

23 A Well, it appears to be, yes.

24 MR. WERNER: At this time, Your Honor, we would
25 like to offer Exhibit No. 13.

1 JUDGE CHACHKIN: Any objection?

2 MR. SHOOK: No objection.

3 JUDGE CHACHKIN: The exhibit is received.

4 (The document referred to,
5 having been previously marked
6 for identification as Hicks
7 Exhibit No. 13, was received
8 into evidence.)

9 BY MR. WERNER:

10 Q Mr. Watson, in response to Mr. Guzman's questions
11 and also in response to some of Mr. Shook's question as
12 well, you had testified about the work that your office was
13 doing on behalf of the Radio One venture, and part of that
14 process included preparing financial statements.

15 Did your office also assist in the preparation of
16 budgets for the Radio One venture in the same manner as
17 which you assisted in the preparation of budgets for WRBR
18 and WBYT?

19 A Yes.

20 Q If I can draw your attention to tab No. 12, and
21 I'll ask you if you can identify that document?

22 A I haven't seen this in a long time.

23 Yes. It appears to be a budget that was put
24 together for Radio One Marketing, which was the name given,
25 trademark name for the joint venture at that time.

1 Q So this would have been the budget for the joint
2 sales elements of the operation?

3 A The joint venture, yes.

4 MR. WERNER: At this time, Your Honor, we'd like
5 to offer Exhibit No. 12.

6 JUDGE CHACHKIN: Any objection?

7 MR. SHOOK: No objection.

8 JUDGE CHACHKIN: The exhibit is received.

9 (The document referred to,
10 having been previously marked
11 for identification as Hicks
12 Exhibit No. 12, was received
13 into evidence.)

14 JUDGE CHACHKIN: It's time for our noon recess.
15 Do you have much more?

16 MR. WERNER: If you could just let me review my
17 notes for a moment, Your Honor. I think I'll be able to
18 wrap up in a moment.

19 (Pause.)

20 MR. WERNER: I have no further questions, Your
21 Honor.

22 JUDGE CHACHKIN: I assume you have some questions
23 on redirect.

24 MR. SHOOK: We will, Your Honor.

25 MR. CRISPIN: Your Honor, I have a question.

1 JUDGE CHACHKIN: Go ahead, ask your question.

2 CROSS-EXAMINATION

3 BY MR. CRISPIN:

4 Q Mr. Watson, when you were -- under the terms of
5 this joint sales agreement, who -- who is charged with
6 responsibility for providing accounting services as between
7 Pathfinder on the one hand and Hicks on the other hand?

8 A Uh, if --

9 Q I'm referring to the joint sales agreement.

10 A Yeah, okay.

11 Q Who was charged with the responsibility for
12 providing --

13 A For accounting services for the joint venture?

14 Q Pathfinder was charged with that, and they were
15 charged with it, and it's also in the agreement, expressly
16 in the agreement.

17 Q Is there a cost associated with performing those
18 accounting services?

19 A I guess there was a cost. There was no additional
20 people that had to be added, but there was certainly --
21 there was certainly some time required, but it didn't
22 provide for any reimbursement.

23 Q But if you look at the -- if you look at the
24 accounting records for the joint venture, would we actually
25 see an expense item for those accounting service that you

1 performed under the joint sales agreement?

2 A No, sir.

3 Q Is that because under the joint sales agreement
4 the cost of providing those accounting services was a cost
5 assigned by contract to Pathfinder?

6 A Yes, sir.

7 Q So when you're acting under the joint venture
8 agreement or the joint sales agreement that are stated, when
9 you are performing those services, there would be -- the
10 cost of you doing that is by contract, it is by contract with
11 Booth and then with Hicks assigned to Pathfinder; is that
12 correct?

13 A Yes, sir. Any services, accounting services
14 relating to the venture was Pathfinder's by contract.

15 Q So when we look at your salary, whatever it is and
16 I don't care to know what it is, as the CFO of Pathfinder,
17 when you're doing the work for the joint venture, that is a
18 cost to Pathfinder, and by contract that is a cost assigned
19 to Pathfinder under the joint sales agreement?

20 A Yes, sir.

21 MR. CRISPIN: Okay, that clears up something in my
22 mind.

23 I have no further questions for the witness.

24 JUDGE CHACHKIN: All right, we'll be in recess to

25 1:45.

1 (Whereupon, at 12:15 p.m, the hearing was
2 recessed, to resume at 1:45 p.m., this same day, Tuesday,
3 October 26, 1998.

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1 A F T E R N O O N S E S S I O N

2 (1:45 p.m.)

3 JUDGE CHACHKIN: On the record.

4 MR. JOHNSON: Mr. Shook, may I make a
5 clarification before you begin?

6 Your Honor, I'm not sure that we've been entirely
7 clear and i wanted to inform you that it's obvious that our
8 cross-examination of Mr. Watson went beyond the scope of
9 direct examination by agreement among counsel. That was
10 actually the presentation from our direct case of Mr.
11 Watson's testimony. Your Honor may have been aware of that.

12 The reason I raise it is just to raise a
13 procedural question. I know Mr. Shook as some questions on
14 cross-examination. Our hope is not to have the need to do
15 this, but if the need arises we would request a brief
16 opportunity for redirect so as not to have to bring Mr.
17 Watson back.

18 JUDGE CHACHKIN: If it deals with the subjects
19 that were dealt with and doesn't go beyond the direct of Mr.
20 Shook, I'll allow it.

21 MR. JOHNSON: Understood. Thank you.

22 JUDGE CHACHKIN: Okay, Mr. Shook, go ahead.

23 MR. SHOOK: Thank you, Your Honor.

24 Whereupon,

25 ROBERT A WATSON

Heritage Reporting Corporation
(202) 628-4888

1 having been previously duly sworn, was recalled as a witness
2 herein, and was examined and testified further as follows:

3 REDIRECT EXAMINATION

4 BY MR. SHOOK:

5 Q Mr. Watson, I believe the document binder for the
6 Hicks exhibits was returned to you. Do you have that in
7 front of you? I'd like you to turn to Exhibit 11 of Hicks.

8 You will notice that Hicks 11 refers to the
9 recalculation that's going to take place in the late summer,
10 early autumn of 1996, correct?

11 A Correct.

12 Q Are there similar memos for the years 1994 and
13 1995?

14 A I believe there was. I know the computation was
15 done and I know it was provided to Dave. Whether there was
16 a memo or not, I don't know.

17 Q Well, the reason that I ask is that searching our
18 collective memories we didn't recall seeing any such, and if
19 you have a memo for --

20 A You may not have seen a memo. The calculations
21 were done and I know those exist. And whether there was a
22 memo -- since it did not change, it was a 50/50, there
23 probably wasn't a similar memo to the accounting staff
24 because there was no reason to tell them. Everything was
25 the same. It was 50/50.

1 But I know that the computation would have been
2 provided to Dave Hicks, and that discussion, if it wasn't a
3 memo, would have been -- he would have known the computation
4 would have been made according to the joint sales agreement.

5 Q Well, was the computation for 1994 reduced to
6 written form?

7 A The computation itself?

8 Q Yes, sir.

9 A Yes, sir. Absolutely.

10 Q And is there a record of it in your files?

11 A I presume it's there.

12 Q Could such a record be produced please?

13 MR. JOHNSON: We'd be happy to look.

14 THE WITNESS: I'd have to look for it, but I
15 believe I've got it.

16 BY MR. SHOOK:

17 Q Also for 1995, was such a record made?

18 A I believe so. I know it was made, yes.

19 MR. SHOOK: Could such a record be produced if
20 available, please?

21 MR. JOHNSON: Absolutely.

22 BY MR. SHOOK:

23 Q Could you please turn to Hicks 13?

24 A Okay.

25 Q I don't remember if you stated this or not in

1 response to questions about it, but who prepared the
2 document that we see as Exhibit 13 of Hicks?

3 A Well, it -- the initial budget, or preliminary
4 budget at that time, would have been prepared by Steve Kline
5 and with help from his department head and so on and so
6 forth.

7 Then, as I've previously testified, assistance
8 would be provided them in helping to budget certain
9 expenses. Maybe they needed help with certain areas such as
10 sales commissions and that kind of thing. Some of that
11 assistance would have been provided by the business office.

12 The actual computer input would have been put into
13 a compute spreadsheet by the business office, and then
14 printed and distributed.

15 Q The particular document that we're looking at, was
16 this something that was prepared by an office or, you know,
17 a particular individual at Pathfinder?

18 A The actual -- I don't know if the -- I don't know
19 if the entire -- the numbers that was input to the
20 spreadsheet may have been done by Tony Adelman. He
21 certainly had some input in that Tony Adelman, it's his
22 spreadsheet and therefore he would have printed it off.

23 Now, whether somebody else input some numbers for
24 him or not, I don't know exactly.

25 Q And what role did you personally have in this

1 document?

2 A I don't recall any role. However, as I explained
3 to you in the budget procedure before, I may have with Tony
4 kind of had a brief meeting with the general manager and/or
5 the general sales manager -- and the general sales manager
6 at that time a meeting to kind of look at the thing from the
7 standpoint of reasonableness. In other words, kind of hold
8 up the mirror and say are -- and it's more relating to the
9 expense side -- have you got all the expenses budget for, is
10 there anything you're missing.

11 So absolutely. I mean, kind of like -- kind of
12 like a facilitator as I recall it. Again, absolutely,
13 having absolutely no approval capacity for the budget at
14 all.

15 Q I just want to make sure I'm reading this right.
16 If we look at the word "total" on the first page, there
17 appears to be a date that is partially superimposed on that
18 word.

19 Can you make out the date?

20 A Well, I believe, believe that it's June 15th, I
21 would say, June 15, 1994, would look like the date to me.

22 Q Now, do you happen to know if there were any
23 drafts or earlier versions of this document?

24 A I'm sorry. That could be June 13th. I'm not
25 sure. June 13th or -- either the 13th or the 15th,

1 something like that.

2 Q Do you happen to know if there are any earlier
3 drafts of this budget that were transmitted to Mr. Hicks?

4 A I'm sure there was.

5 Q Well, I'm asking do you know? Do we have some
6 record somewhere that would show that?

7 A I know what the procedure is, Mr. Shook. And the
8 procedure calls for all concerned parties to get a
9 preliminary, and there is preliminaries issued. A final
10 budget just doesn't come out before everyone is given an
11 opportunity to look at it. And the reason I knew this was
12 final because it was lacking the stamp "Preliminary." But
13 every preliminary budget is stamped "Preliminary," and I'm
14 just sure there was preliminary budgets for which Dave would
15 have gotten.

16 Q And what I'm asking, I understand why you feel
17 you're sure, but my question is, is there some record, is
18 there some written record of such a document actually being
19 sent to Mr. Hicks?

20 A I don't know.

21 Q A couple of points of clarification that I want to
22 make relative to the joint sales agreement and we can
23 determine whether or not it has to be asked with respect to
24 both Booth and Hicks.

25 With respect to the joint sales agreement and you

1 have the chart that helped us understand how the joint sales
2 agreement worked, where did bad debts come into the picture?

3 A I'm not sure exactly. I don't know that I recall
4 exactly.

5 Q Would adjustments be made after 30 days, after 60
6 days? How were bad debts accounted for? Do you know?

7 A I don't remember exactly. I know how -- right now
8 that is not considered -- there would be an adjustment. I'm
9 sure there was, okay. But I don't know how it was exactly
10 addressed right now. I'd have to maybe go back to the
11 agreement. I just don't recall. Even if it's even
12 addressed in the agreement, I don't recall that either right
13 now at the moment.

14 Q Well, if you could please, it's in Volume 1,
15 Exhibit 1, and it begins at page 14. The particular part
16 that I'm looking for and haven't found it yet concerned the
17 revenue aspect, and the revenue that I'm thinking of right
18 now is the revenue for political ads. As I understood this
19 arrangement, political advertising was -- the income was
20 kept outside the revenue for the joint venture?

21 A Yes .

22 Q So it would be the case that political advertising
23 revenue was accounted for separately by both Booth and
24 Pathfinder?

25 A Yes, sir.

1 Q Now, what happened once Hicks became licensee with
2 respect to the political revenue?

3 A The same thing.

4 Q The same thing in what sense?

5 A The same thing is that their political advertising
6 belonged to each station. That was not be part of the joint
7 venture's revenue.

8 Q So there would be a separate revenue entry
9 somewhere on Pathfinder's books for political
10 advertisements?

11 A Yes, and a separate entry on RBR's books for
12 political advertising.

13 Q Now, there was also some testimony about the
14 involvement of Mr. Campbell with David Hicks, and I want to
15 ask a question or two about that.

16 Could you please pick up, it's Volume 2 of marked
17 exhibits? And the document that I'd like you to look at is
18 Exhibit 40.

19 A Okay. Now, the document itself concerns the
20 representation of Hicks Broadcasting, and I'm not going to
21 ask you, you know, a lot of questions about the document
22 itself. If could you take a moment just to read through it.

23 A I'm generally --

24 Q You're aware of this document?

25 A Well, I know what it is.

1 Q And your understanding of what it is is?

2 A Well, it would be appear to be like an engagement
3 letter, or a representation letter, something like that,
4 from the attorney.

5 Q And you're not aware of any other such engagement
6 letter or a document of that nature that exists prior to
7 December 17, 1993?

8 A I don't even think I was aware of this at the
9 time. I don't think I had ever seen it until -- unless it
10 was sent by Dave. I don't recall ever seeing it.

11 Q Right. But in terms of any testimony about when
12 Mr. Campbell began his representation --

13 A Right.

14 Q -- of Hicks or Hicks Broadcasting, however that
15 works out, you're not aware of any formal representation
16 understanding that exists prior to December 17, 1993, are
17 you?

18 A I'm not aware of any letter that was written.

19 Are you saying am I aware of Alan Campbell
20 represented Hicks prior to this?

21 Q Yes, sir.

22 A Is that the question?

23 Q That's the import of my question.

24 A Yes. To my way of thinking, Hicks Broadcasting
25 was represented by Alan Campbell in early September, right

1 after -- right after Hicks Broadcasting agreed to to go on
2 with the deal and that, and right after they had -- right
3 after Alan started performing work, although I don't know
4 how much. There might have been -- I don't know.

5 Q Well, if you could --

6 A I don't think there was very much. But at any
7 rate, at that time he was working for Hicks Broadcasting.

8 Q Well, if you could clarify for us on what is that
9 understanding based?

10 A Just I -- just -- I don't know. I know that Dave
11 asked me -- we talked about Alan Campbell continuing or
12 becoming the attorney for Hicks Broadcasting, and Alan was
13 doing the work, so I assumed he was Hicks Broadcasting's
14 attorney.

15 Once Pathfinder was no longer purchasing the
16 station, he was no longer working on behalf of Pathfinder.

17 Q Well, there are two documents that I want to show
18 you that perhaps may help clarify this a bit. The first is
19 Mass Media Bureau Exhibit 22, which we've had some testimony
20 about.

21 First of all, you will notice the date of the
22 document is September 27th. Do you see that?

23 A Yes.

24 Q 1993?

25 A Yes.

1 Q And the second paragraph, if you will, the only
2 sentence that appears there, or excuse me, the first
3 sentence that appears there reads, "Please add our
4 attorney," et cetera.

5 Now, to clarify, considering that you are drafting
6 this letter and signing it as secretary-treasurer of
7 Pathfinder, when you say "Please add our attorney," aren't
8 you referring to Pathfinder at this point when you use the
9 word "our"?

10 A No, and I believe I testified to that fact. I was
11 not -- and this isn't my letterhead. I mean, if a letter is
12 going to go out, any kind of letter is going to go out from
13 me it's going to go out on this. I don't have Hicks
14 Broadcasting stationery. "Our" at that point was the -- I
15 mean, I was part of the working group for Hicks
16 Broadcasting. I've already told you that. I was acting on
17 behalf of the children. I was looking at documents. And
18 "our" at this point would have been Hicks Broadcasting. It
19 was just a way -- maybe it was a poor choice of words, but
20 it got the point across to them, and they added Alan to the
21 list.

22 Q Now, further along those lines, could you please
23 turn to Mass Media Bureau Exhibit 33?

24 First, of all do you recognize the handwriting as
25 being that of Mr. Hicks?